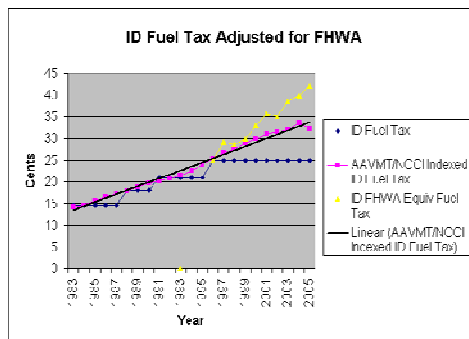


1

Idaho Fuel Tax, FHWA Funding, and Regression Considerations

Jim Kempton, Chairman

2



Jim noted that the gasoline and special fuels revenue at first increased, but then during the past several years has leveled off. The revenue from the current 25¢ fuel tax became stagnant in FY1999 and remains that way today.

This flattened fuel tax revenue has significantly impacted the Local Highway Jurisdictions and State Police. Their annual budgets have diminished at a time when transportation needs and costs have skyrocketed. The Local Highway Jurisdictions also face significant challenges with the 3% cap on property tax. Some communities cannot keep pace with their local transportation needs. The backlog of transportation projects continues to increase and public frustration continues to grow.

Instead of raising fuel taxes, for the last ten years Idaho has relied heavily on increased Federal funds to finance transportation needs. Federal revenue is expected to increase at a much slower pace during the next few years and the Highway Trust Fund is predicted to be in a deficit situation sometime between FY2009-FY2010 unless additional federal taxes/revenue is designated. The Federal fuel tax will probably be increased in the next few years.

By using a higher percentage of Federal funds, other parts of the Idaho transportation system have suffered. Federal funds are formulated to address specific goals (interstate system, air quality, etc.). The stagnation of State funds for the last ten years has reduced revenue for local highway jurisdictions. Some jurisdictions are facing major loss of revenue.

3

EXPENDITURE CLASSIFICATIONS (Legislative Budget Office)					
Classification	1996-2001 (Ave)	2002	2003	2004	1996-2004 (Ave)
Personnel	\$ 77,379,000	\$ 90,407,400	\$ 89,754,800	\$ 91,979,700	\$ 87,380,225
Operating Exp.	\$ 47,688,417	\$ 51,193,100	\$ 50,414,800	\$ 52,898,500	\$ 50,548,704
Capital Outlay	\$ 195,224,500	\$ 239,130,000	\$ 273,242,800	\$ 269,972,800	\$ 244,392,525
Trustee/Benefit	\$ 5,741,417	\$ 6,049,700	\$ 6,092,400	\$ 6,748,400	\$ 6,157,979
	\$ 326,033,333	\$ 386,780,200	\$ 419,504,800	\$ 421,599,400	\$ 388,479,433
Capital Outlay %	59.9	61.8	65.1	64.0	
Operating Exp.	14.6	13.2	12.0	12.5	
Personnel:	23.7	23.4	21.4	21.8	

Jim also reviewed information from the Legislative Budget Office (Expenditure Classifications) that shows that the Idaho Transportation Department (ITD) has covered capital expenditures by cutting operating and personnel costs, which can not continue unless ITD services are decreased. Additionally, higher cost of fuel and the move to alternative-fueled and hybrid vehicles, also impact transportation revenue sources. Political resistance to raising fuel taxes will be high, but phased-in increases are reasonable and attainable, although, once the Federal fuel tax is increased, raising Idaho's fuel tax will be even more difficult.

Jim explained that the Idaho Fuel Tax Adjusted for FHWA chart shows regression predictions compared to Idaho Fuel Tax during the FY1986-FY1996 period. Data from an AAVMT/NCCI Indexed ID Fuel Tax, an ID FHWA Equivalent Fuel Tax, and a "Linear" (AAVMT/NCCI Indexed ID Fuel Tax) were used to develop this chart. The revenue was forecast for prior years and compared with the actual collections, finding that the forecasted revenue was within 5%, proving the regression line is fairly accurate.

A regression analysis done on the Idaho Transportation Department's FY1996-FY2004 expenditures and forecasted to FY2034 estimate a total average cost of \$203 million per year -- over \$21 billion (2005 \$) during the 30 year time frame. Jim pointed out that with changes in projects (added and dropped) and inflation, the estimated total will probably still be in a similar price range. A \$20 billion range is reasonable for projected needs and Idaho should be planning to achieve revenue sources to meet that need.

4

